

GAO

Report to the Subcommittee on Federal
Services, Post Office and Civil Service,
Committee on Governmental Affairs,
U.S. Senate

July 1993

POSTAL SERVICE

1992 Olympic Sponsorship—Profit or Loss Is Unknown



General Government Division

B-249016

July 23, 1993

The Honorable David Pryor, Chairman
The Honorable Ted Stevens, Ranking
Minority Member
Subcommittee on Federal Services, Post Office
and Civil Service
Committee on Governmental Affairs
United States Senate

This report responds to your request that we examine financial aspects of the United States Postal Service's sponsorship of the 1992 Olympic Games. Specifically, you were concerned whether the Service had accurately disclosed the revenues and costs of its Olympic sponsorship in asserting that it would be, and eventually was, a profitable venture.

Background

In August and September 1989, the Postal Service signed agreements with the U.S. and international olympic committees to be a worldwide sponsor of the 1992 games in Albertville, France, and Barcelona, Spain. It is the only U.S. government entity to have sponsored an Olympics. A sponsorship fee of \$10 million entitled the Service to use the Olympic rings in its advertising and promotions until the end of 1992. In July 1990, Postal Service officials approved a sponsorship plan that projected revenues of \$177 million, costs of \$122 million, and a profit of \$55 million.

In 1993, the Postal Service estimated that the sponsorship generated revenues of \$136.8 million, costs of \$98.2 million, and produced a profit of \$38.6 million. The amounts were determined by its Controller's office and based on its review of estimates prepared by the Service's Office of Olympic Marketing. The Postal Inspection Service also reviewed these estimates and concluded that revenue was \$90.4 million, costs were \$58.4 million and the profit was \$32 million.

About 86 percent of the \$136.8 million in sponsorship revenue determined by the Controller, or \$117 million, was attributed to two sources: (1) increased Express and Priority Mail revenue of \$43.2 million generated by advertising these mail classes before and during the Olympic games, and (2) \$73.8 million in postal stamp sales that featured the Olympic rings in their design. Most of the remaining revenue was attributed to (1) extra Express Mail volume from an employee incentive sales campaign tied to the Olympics and designed to generate business accounts and

(2) sublicensing Olympic promotion and advertising rights to postal administrations in other countries.

In October 1992, the Postmaster General announced that the Postal Service would not seek to sponsor the Olympics again. For the 1996 Olympics in Atlanta, the Service is considering a business arrangement where, in return for official recognition, it would offer service, but no cash.

Results in Brief

The Service made a significant effort to track Olympic revenue and costs. However, Olympic sponsorship activities were so intertwined and overlapped with other Postal Service operations that we could not verify the accuracy of certain key revenues and costs that it attributed to the sponsorship. Because certain amounts could not be measured precisely, Service officials and the Inspection Service could not agree on the bottom line.

Whether Olympic advertising generated \$43.2 million in expedited mail revenue is unknown. The Controller found that there is no generally accepted way to measure the specific effect of advertising on sales revenue. Service officials believed that advertising helped contribute to the large increase in Priority Mail sales that occurred during the period. Required to come up with an estimate of advertising revenue, the Controller credited the sponsorship with a share of the sales increase in proportion to the share of Priority Mail advertising borne by the sponsorship. However, the Inspection Service also noted that economic recession was an important factor that drove up Priority Mail volume as cost-conscious mailers moved away from premium overnight delivery services. Because it could not verify advertising revenues or costs, the Inspection Service eliminated these amounts from its estimate of Olympic sponsorship profit. Also, an unknown portion of an additional \$9.1 million in Express Mail sales that were attributed to the Olympic-related sales campaign was not new business, according to some field managers familiar with this program.

The Service claimed \$73.8 million in Olympic stamp revenue from 10 issues sold from 1990 through 1992 that contained the Olympic rings in their design. However, not all of this revenue should be attributed to the sponsorship. At least three of the stamps would have been issued anyway without rings, and the value added by the rings is not known. Two others commemorated the winter and summer games, and the Service had

customarily issued such stamps during prior games without being an Olympic sponsor.

The Service decided not to charge significant Olympic advertising costs to the sponsorship program. Funds in other advertising budgets that were established or planned when the sponsorship was approved were later used for Olympic advertising, but not charged to the program on the basis that this money would have been spent on advertising anyway.

Because the amounts at issue are unknown, we were not able to determine whether the Olympic sponsorship produced a profit or loss.

Objective, Scope, and Methodology

Our objective was to evaluate the accuracy of the revenues and costs that the Service attributed to its Olympic sponsorship. At Service headquarters, we reviewed planning and budget documentation related to the sponsorship. We interviewed officials who were responsible for the planning and oversight of the various sponsorship initiatives. We also interviewed staff in the accounting, procurement, philately, and international operations departments who assisted in carrying out the program. At post offices in Albany, NY; Los Angeles; New York; Oakland; Providence; and Van Nuys, CA, we interviewed officials who planned and participated in Olympic activities. We reviewed program guidelines and available documentation to determine the extent and cost of their Olympic efforts. We chose these offices because they were significantly involved in sponsorship activities and participated in Olympic festivals in 1990 and 1991 to assist U.S. athletes to prepare for the 1992 games.

We used the Service's financial accounting system to determine certain sponsorship costs and revenues. The Service established separate accounts to capture these amounts, and its Office of Olympic Marketing reconciled its sponsorship records to those totals. However, the accounting system was not able to distinguish between Olympic and non-Olympic sources in the sale of stamps or Express Mail and Priority Mail, which comprised about 86 percent of the claimed Olympic revenue.

We did our work from February 1992 to March 1993 in accordance with generally accepted government auditing standards.

Olympic Sponsorship Revenue

Nearly All Olympic Revenue Attributed to Express Mail, Priority Mail, and Postal Stamp Sales

As approved in 1990, the Olympic sponsorship was to derive revenue from a variety of programs. About \$97 million, or 55 percent of the total projected \$177 million, was to come from (1) increased Express and Priority Mail revenue generated from advertising before and during the Olympic Games (\$53.9 million) and (2) the sale of stamps that featured the Olympic rings in their design (\$42.8 million). Over the life of the sponsorship, several of the other promotional efforts that were to generate the remaining \$80 million of revenue fell significantly short of their goals. As a result, Olympic advertising and stamp sales accounted for about 86 percent of sponsorship revenue.

The Service planned to license its name, logo, and Olympic stamp designs for use on general merchandise which it would sell to the public through a contractor. However, the U.S. Olympic Committee later informed the Service that such sales would violate the Committee's agreement with another sponsor. The Service was, thereby, limited to selling merchandise to its employees. As a result, there was no income from licensing; \$7.5 million had been planned. And merchandise revenue amounted to only about \$1 million; \$22 million had been planned. Revenue from the sale of nonstamp philatelic items such as cachets¹ and collectibles earned less than \$2 million compared to over \$24 million planned.

Membership sales in the International Pen Pal Program run by the Service were also lower than expected, and this program generated only about \$601,000 compared to about \$7 million planned. The Service also expected revenues of about \$8 million from the sale of event packages at the winter and summer games. The packages consisted of hotel accommodations, meals, game tickets, and local transportation. These were to be sold principally to postal administrations from other countries. However, relatively few were sold, producing only about \$634,000 in revenue. Unsold packages ended up being given away to families of U.S. athletes at the winter games and to major mailers at the summer games. Appendix I contains a list of planned and estimated actual revenue from the various programs.

¹A commemorative design imprinted on an envelope to mark some postal or philatelic event.

Sponsorship's Effect on Express and Priority Mail Is Unknown

The largest revenue item in the sponsorship plan, at \$53.9 million, was for the increased volume in Express Mail and Priority Mail. This increase was expected to occur through widespread advertising of these services beginning in the summer of 1990 featuring the Olympic sponsorship. Net revenues (gross revenues less the cost of processing and delivery) were projected to increase in these classes of mail by \$4 million in 1991 and \$49.9 million in 1992.

During the final business quarter of 1991 through the end of fiscal year 1992 (September 1992), Priority Mail volume increased by 7.4 percent from a year earlier, and Express Mail fell 8.2 percent. For the two classes combined, the net increase in net revenue was nearly \$268 million. However, it was unknown how much of the increase in Priority Mail was due to advertising.

Express Mail and Priority Mail compete with similar delivery services offered in the private sector. Volume is affected by a host of factors in addition to Postal Service advertising; for example, other postal initiatives and promotions, growth of the expedited delivery service market, competitors' advertising and pricing, quality of service, and the state of the economy. Some Service officials cited the economic recession as an important factor that caused the volume of the relatively expensive Express Mail (\$9.95) to fall and the volume of the relatively inexpensive Priority Mail (\$2.90) to rise during the sponsorship period. Mailers switched from overnight delivery service to less expensive alternatives in an effort to reduce costs.

The Controller credited the Olympic sponsorship for the 1991 net revenue increase of \$4 million in the Olympic sponsorship plan. Before deciding 1992 revenue, the Controller's office researched the question as to how major U.S. companies which advertise heavily measure the results of their advertising. It concluded that there was no set methodology for doing so and that, while increased brand awareness was a major reason for advertising, there was no widespread belief in a well-defined cause-and-effect relationship between advertising budgets and sales.

Required to come up with an amount for 1992 Olympic advertising revenue, the Controller credited the sponsorship with a portion of the overall increase in Priority Mail net revenue in proportion to the Office of Olympic Marketing's share of the Service's Priority Mail advertising cost during the year. This credit resulted in an estimate of \$39.2 million compared with \$49.9 million in the sponsorship plan. While acknowledging

that there is no exact answer to this question, Controller officials believed that their methodology was reasonable under the circumstances, particularly since the amount credited was less than the actual increase of \$69.5 million in Priority Mail net revenue in 1992 over the original plan. The Controller gave no credit for Express Mail because its volume went down during the Olympics. We agree that the Controller's method of allocating increased revenue was reasonable given the circumstance of being required to come up with an amount. The fact remains, however, that like the other organizations it researched, it had no way of accurately associating revenue increases or decreases with advertising budgets.

After reviewing the sponsorship, the Inspection Service concluded that it could not determine the effect that Olympic advertising had on Express Mail and Priority Mail. Inspection Service officials acknowledged that advertising no doubt played a role in increasing Priority Mail revenue. However, they also pointed out that businesses and delivery companies were turning away from overnight delivery service and to Priority Mail to reduce costs. Therefore, the Inspection Service eliminated from its estimate of sponsorship profit both advertising costs as well as claimed advertising revenue. This elimination accounted for most of the difference between the sponsorship profit estimated by the Controller and the Inspection Service.

Because the overall effect of Olympic advertising on Express Mail and Priority Mail revenue is unknown, we were unable to verify this portion of Olympic sponsorship revenue.

Other Express Mail Revenue Overstated

About \$9.1 million of Express Mail revenue was attributed to an incentive program for postal employees whose leads resulted in businesses establishing and using business accounts with the Service to pay for their Express Mail shipments. This program was given a "Go for the Gold" promotional tie-in to the Olympic sponsorship with gold, silver, and bronze award levels and grand prize trips to the U.S. Olympic Festival in Los Angeles in 1991 and the summer games in Barcelona in 1992. While there was a consensus at the locations we visited that this promotion increased Express Mail sales, some officials also said that this was not all new business but a different way for existing Express Mail customers to pay for the service. They believed that some of the new business accounts simply represented old Express Mail customers who previously paid with postage meters or stamps. Also, Express Mail sales promotions such as this were not new or unique to the Olympic sponsorship. Post offices have

held contests among employees to increase Express Mail business through the identification of customer leads. While the Olympic-oriented program was larger in size and level of recognition, its actual effect on Postal Service revenue could have been less than the \$9.1 million attributed to the sponsorship. Officials said the amount involved is unknown and not easily measured.

Revenue From the Sale of Olympic Stamps Was Overstated

In recognition of the sponsorship, the Postal Service sold 10 stamp issues consisting of 26 stamps with Olympic rings in their designs between July 1990 and June 1992. The Service counted as Olympic sponsorship revenue the value of stamps in these issues bought by the public but not used (retained). The retention value of stamps is determined quarterly through nationwide surveys of households conducted by a market research firm under contract to the Postal Service. We did not review the survey methodology. For the 10 Olympic-related issues, revenue of \$73.8 million was claimed for stamps retained by the public, as shown in table 1.

Table 1: Olympic-Related Stamp Revenue

Dollars in millions	
Issue	Revenue
American Olympians - 25¢	\$9.7
U.S. Flag - 29¢	3.0
Express Mail - \$9.95	9.2
Priority Mail - \$2.90	8.2
Olympic Track and Field - 29¢	7.7
International Express Mail - \$14.00	6.6
Postal Service logo - \$1.00	2.8
Winter Games - 29¢	10.2
Baseball - 29¢	4.9
Summer Games - 29¢	11.5
Total	\$73.8

Source: U.S. Postal Service.

The sponsorship plan did not define all 10 issues but stated that the Olympic stamps would be incremental to the stamp schedule already established for the years 1990 through 1992. Accordingly, the Service credited the Olympic stamps at their full retention value totaling \$73.8 million without any reduction for the retention value of other stamps that the Olympic stamps might have replaced.

However, we found that this reasoning was not appropriate in all cases because certain Olympic stamps did take the place of similar stamps that would have been issued had there been no sponsorship. For example, the Express Mail and Priority Mail stamps, which reflect the basic rates for these classes, would have been issued anyway, without rings, because postage rates changed in 1991. Similarly, we were told by the Director of Stamps and Philatelic Marketing that the International Express Mail stamp, while a new issue that did not exist previously, would have been issued without the rings had there been no sponsorship. This poses the question of what the retention revenue would have been for these stamps without rings, and opinions among postal officials varied. The Assistant Postmaster General, who was in charge of the sponsorship, believed that Olympic stamps generated higher retention values than non-Olympic stamps. The Assistant Postmaster General pointed out that the Express Mail and Priority Mail stamps were heavily promoted by the Service at Olympic-related events in 1991. The manager of stamp market development said that because of the relatively high cost of those two stamps, as well as the International Express Mail issue, they were retained only by serious collectors who collect all new issues and that retention revenue without rings would not have been significantly different.

The winter and summer games issues generated \$21.7 million of the \$73.8 million in retention revenue, but these also were not unique to the sponsorship. The Postal Service issued Olympic stamps during past winter and summer games, in return for services, without being a sponsor. The number of issues and stamps varied from one Olympics to another, but we identified Olympic stamps for each winter and summer games back to 1976. The manager of stamp market development told us that the Service planned also to issue Olympic stamps for the 1994 and 1996 Olympics whether or not it is a sponsor.

The U.S. flag stamp further illustrates the uncertainty of determining stamp revenue. Olympic marketing officials said that the flag with Olympic rings stamp was an extra issue due only to the sponsorship, and its revenue, is therefore, entirely attributable to it. However, the U.S. flag stamp is regularly reissued under new motifs because it is a popular design. Recent examples are the flag over Mt. Rushmore (\$2.2 million in retention revenue), the flag over the White House (\$4.4 million), flags on parade (\$2.2 million), and the flag over the Capitol dome (not surveyed).

Service officials said that they understood in principle the logic of reducing claimed stamp revenue for the stamps that would have been

issued had there been no sponsorship. However, they credited the sponsorship with the full unreduced amounts because that was the rule under which the sponsorship plan was approved by Service management.

Finally, the Service attributed \$2.1 million more in revenue from the American Olympians stamp than was indicated by the household survey on stamp retention. This was the first of the 10 Olympic issues, and, at that time, the household surveys had not been adopted as the method for determining stamp revenue. The Service was also using an older, internal revenue estimation technique that officials told us was not very reliable. Although this technique was abandoned in favor of the household surveys, its results were used to determine the revenue from the American Olympians issue. Because the household surveys were considered more reliable by the Postal Service, we believe the lower revenue figure (\$7.6 million) as determined by this method is more appropriate. Service officials said that the higher amount was used because that was the amount determined by the methodology authorized at the time.

Olympic Sponsorship Costs

The Postal Service established specific accounts for Olympic sponsorship costs in its budget and accounting system. These costs plus certain additional costs estimated by the Controller are shown in appendix II. Appendix III contains a list of the various goods and services procured by the Service in the major goods and services categories.

Not All Olympic-Related Costs Were Charged to the Sponsorship

About \$62.5 million in advertising costs were charged to the Olympic sponsorship. This represents the cost of advertising done specifically because of the sponsorship over and above amounts that would have been spent otherwise. It does not include amounts in advertising budgets that were planned or established before the sponsorship was approved and were later used for Olympic advertising. The Service's rationale for not charging these amounts to the sponsorship is that they would have been incurred anyway and, therefore, represented no additional cost to the organization.

Service officials told us that the sponsorship was allocated about half of the Olympic-related mass media advertising cost for Express Mail and Priority Mail during the sponsorship period. It was not allocated any of the costs to produce the commercials nor for any of the associated time charged by the Service's advertising agency. The amount of these costs was not readily evident in the Service's records. Inspection Service

officials told us that they attempted to identify total Olympic advertising costs from available advertising budget and cost data and concluded that the amount was not readily determinable. Although the data were incomplete, we noted several examples of Olympic advertising costs in Express Mail budget records that totaled more than \$18 million.

About \$4.5 million in personnel costs were charged to the sponsorship. At Postal Service headquarters, this was the equivalent of 9 full-time employees in 1990, 31 in 1991, and 35 in 1992. Most worked in the Office of Olympic Marketing. The accounting system showed personnel costs in the field equivalent to about eight employees in 1991 and one employee in 1992. By separate survey, the Controller identified the equivalent of another one to two employees at post offices that hosted "Touch the Torch" events. Service officials believed that this represented all significant personnel costs devoted to the sponsorship and that it would not have been cost effective to have attempted to identify and charge additional employee time. Other employees who spent time on the Olympic program did so as part of their normal duties. They were not hired for this purpose and, therefore, were not an additional cost to the organization.

While the Service may have captured most of the personnel costs, we noted that a variety of staff assistance was not charged to the sponsorship. For example, some of the staff who participated in the effort were

- procurement staff who spent time on Olympic program contracts,
- finance department employees who set up accounting procedures and tracking systems for recording Olympic-related revenues and costs,
- Postal Service Inspectors who reviewed the program, and
- others who reviewed the sponsorship program plan and attended meetings and the games in an official capacity.

In the field, post offices were encouraged to organize and participate in a variety of events and programs to celebrate the sponsorship and involve as many employees as possible.

Conclusions

The Service entered into the 1992 Olympic Sponsorship with the objective of producing a financial profit from it. While the Service established special accounting procedures to help measure profitability, some revenues and costs are not known. Although Priority Mail volume increased significantly before and during the Olympics, it is unclear

whether this was due to Olympic advertising or to the recession, which was also causing customers to shift from premium overnight delivery service to Priority Mail. A significant portion of sponsorship revenue was attributed to stamp sales that, had there been no sponsorship, would have occurred anyway for like issues. Some Olympic advertising costs were charged to other budgets. Personnel costs were identified for those headquarters employees who worked full time on the sponsorship and field personnel who had significant sponsorship duties. The time of others who assisted and supported the sponsorship to a lesser extent was not charged to the program. The amount that this understated costs is not known. While the advertising and personnel costs that were not captured may not have been additional costs to the Postal Service, they represented resources that went into the sponsorship, and their omission distorts any report of its financial results.

Given the lack of available data in key revenue and cost areas, neither we nor the Service can state with certainty whether the Olympic sponsorship had a profit or loss.

Agency Comments and Our Evaluation

The Service provided written comments on a draft of this report, which are included in appendix IV. They believed that the Olympic sponsorship was a worthwhile effort and made a net financial contribution to the Service. Where amounts were not available from existing systems, the Service felt that its methods for making allocations were reasonable and accounted for material amounts.

With respect to advertising, the Service pointed out that we agreed that the method used to allocate revenue was reasonable. As we said in this report, when faced with the requirement to produce an estimate, the allocation made by the Controller was reasonable. The fact remains, however, as the Controller's office found out from the firms it contacted, there is no way to accurately make an association between an advertising budget and sales.

For stamp retention revenue, the Service pointed out that it forecasted 10 stamp issues in the sponsorship plan, and did in fact issue and measure the revenue from all 10 stamp issues—which was more than when the Service was not a sponsor. We agree, but as we pointed out in this report, a reduction against this revenue was appropriate because, absent any sponsorship, the Service regularly issues stamps with and without rings during the Olympic games that would have generated retention revenue.

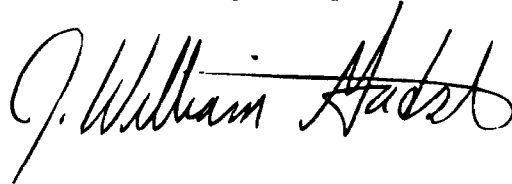
The Service said that the Express Mail Employee Incentive Program met its objective by acquiring new customers and converting existing customers to business accounts. We believe, however, as we discussed in this report that the conversion of existing customers to business accounts is not "new" business for the Service and overstates the revenue attributed to the sponsorship.

The Service questioned the necessity of our including the list of contracts in appendix III. We believe the list of contracts over \$10,000 in the largest cost categories provides the reader with a better understanding of the scope of goods and services involved in this large and controversial undertaking as well as responds to the requesters' need for an accounting of Olympic program costs.

The Service commented that we discussed in detail individual programs where revenues fell short of amounts planned but failed to mention that costs were also below the amounts planned. However, as we indicated in this report, the Service's Controller estimated that revenue was about \$40 million below plan and cost was about \$24 million below plan. The purpose of our discussion of revenue shortfalls in several of the individual programs was to explain why, for the overall sponsorship, the source of revenue shifted among program areas. During the sponsorship, revenue moved from areas, such as the sale of merchandise where there was a relatively high degree of accounting certainty, to areas, such as advertising and placing rings on stamps where the effect from the sponsorship is much more conjectural. Also, in response to the Service's comment, we have added a footnote to appendix II recognizing that sponsorship costs were below the Service's plan.

We are sending copies of this report to the Postmaster General and to other Postal oversight committees in Congress. Copies will also be made available to other interested parties upon request.

The major contributors to this report are listed in appendix V. Please contact me on (202) 512-8387 if you or your staff have any questions concerning this report.

A handwritten signature in black ink, reading "J. William Gadsby". The signature is fluid and cursive, with the first name "J. William" and the last name "Gadsby" clearly distinguishable.

J. William Gadsby
Director, Government Business
Operations Issues

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Planned and Claimed Olympic Sponsorship Revenue, 1990-1993

Dollars in millions

	Planned	Claimed
Express Mail and Priority Mail advertising	\$53.9	\$43.2
Olympic stamp sales	42.8	73.8
Licensing and merchandise	29.9	1.0
Nonstamp philatelic sales	24.8	1.7
Event packages	8.0	0.6
Pen Pal Program	7.0	0.6
Sponsorship sublicensing	4.6	4.5
Express Mail employee incentive program	3.3	9.1
Agreements with catalog sales firms	2.3	2.0
Other	0.3	0.3
Totals	\$177.0	\$136.8

Note: Totals do not add due to rounding.

Source: U.S. Postal Service.

Recorded Olympic Sponsorship Costs

Category	Amount
Salaries & benefits:	
Headquarters	\$3,934,668
Field	342,096
Merit cash bonuses	66,576
Employee awards	135,800
Total personnel compensation	\$4,479,140
Advertising	62,527,597
Printing (other than stamps)	6,969,540
Olympic stamp printing	4,419,242
Meetings and conferences	4,460,968
Professional and miscellaneous services	6,788,165
Supplies	4,727,921
Travel and relocation	1,605,221
Rent	604,570
Express mail	303,648
Other philatelic products	288,005
Consultants	373,542
ADP service and maintenance	136,284
Furniture and equipment	134,551
Depreciation	117,549
Communications	103,440
Training	34,665
Miscellaneous	101,120
Total expenses	\$98,175,168^a

Note 1: Amounts are rounded to the nearest dollar.

Note 2: Capital costs of \$302,423 not expensed.

^aIn July 1990, Postal Service management approved a sponsorship plan that projected total costs of \$122 million. Actual sponsorship expenses were about \$24 million below plan.

Source: U.S. Postal Service.

Selective Listing of Goods and Services Contracts for Sponsorship Activities

Table III.1 is a selective list of contracts entered into by the Service to support the sponsorship effort. Except for the main advertising contract and stamp printing contracts, it consists of all contracts over \$10,000 in the five largest cost categories listed in appendix II.

The amounts cited were obtained from copies of contracts, requisitions, and related documents on file in the Service's Office of Olympic Marketing. Many contracts had not been completed; therefore, the amounts are subject to change as adjustments to contract prices occur. In some cases, the amounts cited are approved amounts rather than the final cost. All amounts are rounded to the nearest dollar.

Table III.1: Selective Listing of Postal Service Olympic Sponsorship Contracts for Goods and Services

Category	Amount
Advertising	
Agreement with Public Broadcasting Service to sponsor the television show, "16 Days of Glory: Calgary and Seoul."	\$850,000
Advertisements in two children's magazines to publicize the Postal Service's Olympic Hopefuls International Pen Pal Program. (For a fee, U.S. children were matched with international pen pals.)	121,312
Printing (other than stamps)	
Printing of television viewing guide for 750,000 Postal Service employees.	710,450
200,000 pen pal kits.	464,510
200,000 cachets for resale to the general public to support the Celebrate the Dream Program. (The Postal Service sponsored U.S. Winter Olympic athletes' room and board expenses at the Olympic Games in exchange for promotional time from the athletes.)	459,000
200,000 Olympic decals for long-life vehicles and 320,000 Olympic decals for collection boxes.	314,044
4,000,000 pen pal brochures.	179,200
90,000 merchandise catalogs.	138,690
Material and shipping for the Sign, Seal, and Deliver Program (giant postcard assembled on the Ellipse, Washington, D.C., July 12, 1992).	76,438
80,000 Pride in Performance (an employee performance award program emphasizing the Olympic affiliation) posters.	42,034
20,000 Olympic pen pal promotion counter card/easels and 40,000 Olympic pen pal promotion lobby posters.	39,051
34,000 Touch the Torch (promotional program featuring display of an Olympic torch) posters.	32,808
250 sponsorship manuals for Postal Service field offices.	23,613
776,969 envelopes and order forms for Olympic merchandise catalogs.	20,000
345,000 Touch the Torch brochures.	19,965
10,000 Olympic Festival stamp souvenir passports.	19,000

(continued)

Appendix III
Selective Listing of Goods and Services
Contracts for Sponsorship Activities

Category	Amount
500 copies of the Field Guide to Olympic Sponsorship.	18,076
777,500 copies of the Postmaster General Newsletter announcing the Olympic sponsorship prepared for mailing to Postal Service employees.	16,014
33,000 Olympic Saver Page (a stamp collecting promotion) posters.	15,887
1,000,000 Olympic pen pal paycheck stuffers.	11,510
41,000 Olympic decals for post offices.	11,254
250,000 Saver Page binder order forms.	11,110
Meetings and conferences	
125 double rooms for 21 nights for period July 22-August 12, 1992, at Estival Park Hotel, in Spain. Breakfast and dinner were included in room price (\$337 a night). Also included: 100 box lunches a day (\$19.40 each), 100 lunches a day (\$38.83 each), and bus and car services (\$239,944).	1,278,196
100 hotel rooms per day at the Estival Park Hotel, in Spain, for period July 22-August 12, 1992. (\$400 a night). Also included pre-event and ground support for 800 people (\$150 each).	941,852
24 hotel rooms for 18 nights at the Fondation Marcel Merieux, in France, for staff and guests. Also included: 125 breakfasts a day (\$9 each), 125 lunches a day (\$17 each), and 125 dinners a day (\$38 each). Miscellaneous expenses included ski lifts and rentals (\$6,986 total) and 42 bottles of champagne (\$1,116 total).	581,772
75 double rooms at the Estival Park Hotel, in Spain, for the period July 22-August 12, 1992, for staff and guests at the 1992 Summer Games.	400,800
40 hotel rooms for 28 nights at the Hotel des Tresoms, in France, for staff and guests. Also included: 200 pre- and post-game breakfasts (\$7 each), 1,440 breakfasts during the games (\$10 each), 200 lunches (\$16 each), 1,620 box lunches (\$18 each), and 3,080 dinners (\$34 each).	207,883
Bus service for guests at the Winter Games.	142,670
Contract with Jet Set Tours to develop a Winter Games Hospitality Program for family members of U.S. Olympic athletes in return for value-in-kind consideration from the athletes.	99,806
4 dinner cruises for 200 guests per cruise during the 1992 Winter Games in France.	89,777
13 hotel rooms for 18 nights at the Motel Le Flamboyant, in France, for staff and guests.	45,011
20 hotel rooms for 19 nights, 1 hotel room for 25 nights, and 1 additional room for 1 night at the Hotel D'alery, in France, for staff and guests. Miscellaneous expenses included 84 bottles of wine (\$655 total).	44,917
20 hotel rooms for 19 nights, 1 room for 18 nights, 2 rooms for 4 nights, 2 rooms for 3 nights, and 22 rooms for 1 night at the Hotel Du Palais De L'Isle, in France, for staff and guests.	44,764
Satellite hook-up from the Capital Hilton, site of the Olympic Sponsorship Press Conference, to the Washington Convention Center, site of the Universal Postal Union Symposium, and Postal Headquarters so that all participants could view the event live.	42,865

(continued)

Appendix III
Selective Listing of Goods and Services
Contracts for Sponsorship Activities

Category	Amount
Olympic Sponsorship Meeting, October 21-26, 1990, at the Washington Hilton. Included: meeting room rental (\$7,800), 2 evening meals at Ashby's Restaurant (\$1,580), 4 continental breakfasts for 90 people per seating (\$1,226), lunch for 100 people October 23-25 (\$9,222), coffee service 4 times during meeting (\$2,966), reception on Monday night for 90 people—meals, beverages, services, flowers, gratuity (\$5,876), 45 rooms for staff over 5 nights (\$4,567), miscellaneous audio-visual equipment (\$3,870), telephone service (\$270), use of business center (\$75), and miscellaneous expense (\$866).	42,000
Rooms (\$183 a night) and breakfast (\$18 each) at the Barcelona, Spain, Hilton for Olympic Sponsorship Meeting, October 15-27, 1991. Included a reception for 65 persons (\$69 each) with heavy canapes and bar service.	33,742
Taxi service for guests during their stay in Annecy, France. Included two drivers on call from February 4-25, 1992, between the hours of 6:00 a.m. and midnight, daily.	31,409
Olympic press conference November 14 & 15, 1989. Included dinner for 45 people, hospitality room for 20 dignitaries, refreshments for 200 people, lunch for 150 people, and hotel rooms for 48 people.	29,927
8 bus guides for the 1992 Winter Games for 23 days.	28,981
Olympic Sponsorship Meeting, May 6-11, 1991, in Annecy, France. Included 10 hotel rooms for 6 days, 40 continental breakfasts, coffee breaks for 60, 120 lunches, dinner and reception for 100, audio-visual technician for 4 days, rental of 1 computer, and services of 1 photographer.	19,748
Specialty catering assistance at the Estival Park Hotel, in Spain, for the Summer Olympic Games (July 19-August 12, 1992). Services included on-site implementation for two chefs fluent in Spanish for 24 days at \$600 per day. Also, three pre-event planning trips (\$5,000) and airfare for pre-event planning (3 trips) and on-site implementation (2 trips at \$6,000).	19,400
Lodging, meeting rooms, and services for Postal Service officials and Office of Olympic Marketing staff at the 1991 Olympic Festival, in Los Angeles, California (a promotional sports event for Olympic hopefuls). Included meeting room and catering services for 40 people.	15,380
Lodging for staff and sales winners and catering for programs planned during the 1991 Olympic Festival in Los Angeles. Included lodging for 2 people in single rooms (17 nights), brunch buffet on July 12, 1991, for 25 (\$17 each), sit-down dinner service on July 13 for 30 (\$28 each), lodging for 10 people (43 nights), buffet stations on July 19 for 150 people (\$34 each), breakfast (3 days) for the San Diego winner and 1 guest (\$30 per day), equipment for diving team dinner (\$500), and miscellaneous expenses (\$2,000).	14,168
Catering services at the VIP hospitality area for the diving competition at the 1991 Los Angeles Olympic Festival.	10,966

(continued)

Appendix III
Selective Listing of Goods and Services
Contracts for Sponsorship Activities

Category	Amount
Professional and miscellaneous services	
1992 Olympic event tickets for guests.	715,949
Pre-event and on-site support for the period prior to and during the 1992 Olympic Games.	471,369
Computer service to match Pen Pal program participants.	391,426
Consultant, speech, writing, and film production services.	270,413
Torch Run videotape for showing at the Board of Governors Meeting, July 1991, and distribution following.	85,809
50,000 Olympic festival posters with track and field stamp design.	59,000
34,100 copies of the Touch the Torch Program videotape.	57,288
Stamp bursting, affixing, and machine cancellation of 40,000 stamps for promotions at major league baseball stadiums.	53,600
Marketing consulting services for Postal Service Sign, Seal, and Deliver, Philatelic, and Merchandise Programs.	25,214
12 rental cars for staff during the Winter Games.	22,879
5,000 copies each of "Highlights of 16 Days of Glory" and "The United States Postal Service Wee Deliver Program" to be distributed to Wee Deliver Program schools.	22,600
Services of 2-person video production crew in California from June 24-July 21, 1991, for supplemental videotaping of the Olympic Torch Run and Festival.	22,500
Professional services of on-site logistics coordinator for the Postal Service's 1992 Summer Olympic Games.	17,600
Supplies	
34,000 3' X 5' and 400 5' X 8' Olympic flags for the Touch the Torch Program at postal facilities.	587,900
1,000,000 lapel pins for postal employees.	400,000
300,000 cachets for resale to the general public to support the Celebrate the Dream Program.	375,120
16,000 wristwatches for gold-level awards in the Pride in Performance Program.	276,757
300,000 official postal commemorative souvenir envelopes for the 1992 Winter Games.	261,490
800,000 Touch the Torch key rings.	214,000
3,451 Olympic philatelic collectibles for the Olympic Merchandise Program (a program to promote the sale of merchandise with the Olympic rings).	204,989
300 \$250 gift certificates and 1,000 \$100 gift certificates as incentives in the Employee Sales Program.	175,000
(continued)	

Appendix III
Selective Listing of Goods and Services
Contracts for Sponsorship Activities

Category	Amount
180 \$250 gift certificates, 550 \$100 gift certificates, and 750 \$50 gift certificates as incentives for the Employee Sales (a national sales contest for postal employees to increase Express Mail sales) and Automation/Addressing Programs.	137,500
3,145 caps, 6,000 torch T-shirts, 408 water bottles, 250 waist packs, 5,000 angel lapel pins, 5,000 torch run lapel pins, 1,500 Torch Run sweatshirts, 3,000 Olympic ring T-shirts, 1,500 Olympic ring sweatshirts, and 3,000 neon torch T-shirts.	121,776
Purchase and lease of office furniture for the Office of Olympic Marketing staff.	110,297
250,000 pins awarded to Postal Service employees for the Quality Awareness Program (an employee performance award program emphasizing the Olympic affiliation).	85,000
12,000 Postal Service T-shirts for sale at the 1991 Olympic Festival in Los Angeles.	71,340
200 Olympic torches and display bases for the Touch the Torch Program.	65,000
75,000 international stamp scrapbooks for the 1991 Olympic Festival in Los Angeles.	62,864
100,000 dream banks for the 1991 Olympic Festival.	50,000
500 limited edition philatelic paper reliefs for sale in Postal Service's Philatelic Sales Catalog to test the consumer market for Olympic-related merchandise.	29,700
50,000 Olympic silver pins awarded to Postal Service employees for the Quality Awareness Program.	21,000
1,000 T-shirts for gifts and sale at the 1992 Winter Olympic Games.	20,510
16,000 gold lapel pins awarded to Postal Service employees for the Pride in Performance Program.	20,000
7,530 copies of "Perspective—The Olympic Sponsorship: Delivering America's Best—Meeting the Olympic Challenge."	18,825
1,050 thermo hand muffs with the Postal Service's Express Mail Service logo and 30 cases of hand warmers for guests at the 1992 Winter Games.	18,505
30 winter stamp flags and flag poles for the First Day of Stamp Issue ceremony at the National Figure Skating Championships, Orlando, Florida.	18,390
10,000 Postal Service Angel pins and 15,000 Torch Run pins for gifts at the 1991 Los Angeles Olympic Festival.	16,695
21,300 pins for special events, such as national postal forums and Olympic festivals.	21,600
750 United States Olympic Committee desk diaries given out at the National Postal Forum.	13,195
500 souvenir books given out at the 1992 Winter Games.	11,368
2,000 official 1992 Winter Games souvenir programs for Postal Service guests.	11,328
(continued)	

Appendix III
Selective Listing of Goods and Services
Contracts for Sponsorship Activities

Category	Amount
Capital costs	
Purchase of computer equipment for the Office of Olympic Marketing. Includes 13 computer systems, 20 computers, 4 printers, 1 monitor, and 1 graphics package.	190,033
Installation of computer network to connect two separate offices of Olympic Marketing.	11,801
4 computers for Olympic games on-site operations.	14,552

Comments From the United States Postal Service

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



MARVIN RUNYON
CHIEF EXECUTIVE OFFICER PMG

UNITED STATES POSTAL SERVICE
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0010

June 2, 1993

Mr. Johnny C. Finch
Assistant Comptroller General
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Finch:

Thank you for providing us an opportunity to comment on the draft report entitled, POSTAL SERVICE: Olympic Sponsorship Profit or Loss is Unknown. The Decision Analysis Report (DAR) for the programs supporting the Olympics Sponsorship set forth a number of individual activities to increase revenue, performance and employee pride. Many of these programs were experimental, and some were more successful than others. As a whole, we feel our Olympics Sponsorship was a worthwhile effort and made a net financial contribution to the Postal Service.

While the report did not determine whether there was, or was not, a net contribution from the Olympics, we felt that it was important to measure results from this effort. Where costs and revenues for individual elements of the Olympics Sponsorship were not available from existing systems, we used previously developed allocation methods or established new allocation methodologies. We feel that these allocation methods are reasonable and account for all costs having a material impact on the program. In addition, both the Inspection Service and the Controller, in their reviews of program results, allocated net contribution of over \$30 million to the Olympics effort.

We would like to address the following specific aspects of the report relating to the primary revenue generation programs.

1. Philatelic - To determine revenue, we used the method of estimating stamp retention used for our entire philatelic program. The original Olympics Sponsorship DAR indicated that this method would be used to measure the revenue for the stamps issued in support of the Olympics. Ten stamp issuances were forecast; ten were issued and measured. It should also be noted that the number of issuances far exceeded those when the Postal Service was not a sponsor.
2. Advertising - In Fiscal Year 1992, it is clear that the Olympics-sponsored advertising campaign was the first major promotion of Priority Mail, and that Priority Mail revenue increased \$161 million over our original plan. Our method of allocation was to provide the sponsorship with its proportional share, based on advertising dollars, of the revenue increase over plan. The report notes, and we agree, that there is no single method to measure results from advertising. However, it is also recognized that advertising is an important business strategy for most organizations. We realize that our chosen method is not the only allocation method; but we feel it is a reasonable approach, and GAO agrees.

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See comment 1 on p. 26.

See comment 2 on p. 26.

Appendix IV
Comments From the United States Postal
Service

3. Express Mail Corporate Accounts - The program met its objective to strengthen and expand our customer service relationship with core customers, by acquiring new customers and converting existing customers to Express Mail Corporate Accounts.

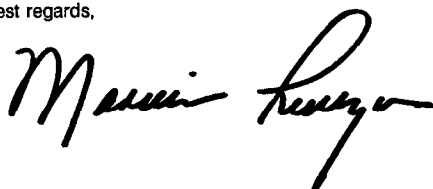
In the remainder of the report, we question the exhaustive list of contracts included as an appendix to the GAO report. Since the thrust of the audit was to determine "profit or loss," there appears to be no reason for including the list, especially when there is no reference as to the purpose of each contract; no planned cost is shown; and the report admits that the actual cost may be different than the amount shown. Thus, we are at a loss to understand the relationship to the audit function.

Finally, while the report details planned versus actual revenue by individual program, it fails to do the same for expenses, which were also below plan.

In summary, we are disappointed that the report could neither agree nor disagree with our evaluation of the results from the Olympics Sponsorship. However, we feel our method of allocating costs and revenues was reasonable and resulted in a positive contribution.

We appreciate the opportunity to review and comment on the report. If you wish to discuss any of my comments, my staff is available at your convenience.

Best regards,



The following are GAO's comments on the U.S. Postal Service's letter dated June 2, 1993.

GAO Comments

The following notes address specific Postal Service comments on mail revenue and stamp retention:

1. The Service commented that it used the same method of estimating stamp retention that is used for its entire philatelic program. As noted on page 9 of the report, the Service did not use the same method of estimating stamp revenue for the American Olympians stamp as it used to measure other Olympic stamps.
2. The Service said that in 1992 Priority Mail revenue increased \$161 million over the year before. We noted on page 5 that during the entire period of the sponsorship, Express Mail and Priority Mail combined increased by \$268 million from a year earlier.

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